

Message Text

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PAGE 01 MONTEV 00341 01 OF 02 261906Z POSS DUPE
ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 MCT-01
ACDA-07 AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 CU-02 IO-13
AGRE-00 DHA-02 DIWY-01 IGA-02 ITC-01 STR-04 /117 W
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FM AMEMBASSY MONTEVIDEO
TO SECSTATE WASHDC 3075
INFO AMEMBASSY BUENOS AIRES
AMEMBASSY SANTIAGO
AMEMBASSY BRASILIA

C O N F I D E N T I A L SECTION 1 OF 2 MONTEVIDEO 0341

E.O. 11652: GDS
TAGS: PFOR, UY
SUBJECT: OVERVIEW, URUGUAY

REFERENCE: STATE 016158

I WELCOME THE OPPORTUNITY TO PROVIDE THIS OVERVIEW WHICH I CONSIDER
TO BE MOST TIMELY:

1. POLITICAL ENVIRONMENT. URUGUAY, A COUNTRY WITH LONG,
DEMOCRATIC TRADITION, IS TODAY CONTROLLED BY A CIVIL-MILITARY
GOVERNMENT WHICH IS RAPIDLY BECOMING MORE MILITARY AND LESS
CIVIL. IN THE EARLY 70'S, THE MILITARY ABANDONED TRADITIONAL
ALOOFNESS FROM POLITICAL AFFAIRS IN RESPONSE TO A TERRORIST
CAMPAIGN WHICH THREATENED THE POLITICAL, ECONOMIC AND SOCIAL
STRUCTURE OF THE NATION. SUCCESSFUL IN THIS CAMPAIGN THEY HAVE
EMBARKED ON WHAT THEY VIEW AS A PROCESS OF NATIONAL RESTORA-
TION. THEY HAVE CLOSED THE PARLIAMENT AND LABOR FEDERATIONS
(BUT NOT ALL UNIONS), DOMINATED THE MEDIA, REFORMED HIGHER
EDUCATION, AND ABOLISHED POLITICAL PARTY ACTIVITY. MOST OF THIS
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PAGE 02 MONTEV 00341 01 OF 02 261906Z POSS DUPE

IS DONE IN THE SPIRIT OF VIRULENT ANTI-MARXISM WHICH HOLDS COM-
MUNIST PENETRATION TO HAVE BEEN RESPONSIBLE FOR RAVAGING THE
ECONOMY, DISTORTING URUGUAYAN YOUTH, AND BRINGING THE COUNTRY
NEARLY TO DESTRUCTION. WHILE PROMISING EVENTUAL RESTORATION OF
SOME FORM OF PARTICIPATORY GOVERNMENT, THEY HAVE NOT YET DEFINED
ITS FORM NOR ESTABLISHED A CLEAR TIMETABLE FOR ITS ACCOMPLISHMENT.
SINCE THE CONSTITUTIONALLY ELECTED PRESIDENT WAS DEPOSED SEVEN

MONTHS AGO AND REPLACED BY A VIRTUAL FIGUREHEAD, THERE HAS BEEN A CLEAR DETERIORATION IN THE QUALITY OF GOVERNMENT AS POWER BECAME WIDELY DIFFUSED WITHIN A JUNTA OF ALL (22)GENERAL AND FLAG RANK OFFICERS. ONE OF THE GENERALS MAY EMERGE AS THE DOMINANTPOWER. THE MOST LIKELY, GENERAL ALVAREZ, ASPIRES TO BE A CONSTITUTIONAL PRESIDENT. WHILE CURRENTLY SUSPICIOUS OF THE U.S., HE IS THOUGHT TO HAVE LIBERAL, EVEN POPULIST LEANINGS.

2. ECONOMIC ENVIRONMENT. PERCEIVING ECONOMIC DETERIORATION OVER A QUARTER OF A CENTURY TO HAVE BEEN PARTLY CAUSED BY MARXISTS AND THEN EXPLOITED BY THEM AS A MEANS OF OVERTHROWING NATIONAL INSTITUTIONS, THE CIVIL-MILITARY REGIME HAS EMBARKED ON A BASIC PROGRAM OF ECONOMIC RECOVERY AND RESTORATION. ALSO BLAMED ARE A MALFUNCTIONING AND CORRUPT POLITICAL SYSTEM IN LEAGUE WITH VENAL ELEMENTS OF THE PRIVATE SECTOR. CAPABLY DEvised BY AN OUTSTANDING HARVARD-TRAINED URUGUAYAN ECONOMIST, THE ECONOMIC PROGRAM HAS ACHIEVED THE BACKING AND PRAISE OF INTERNATIONAL INSTITUTIONS AND, AT THE END OF 1976, THE STAMP OF APPROVAL FOR ITS ACHIEVEMENTS BY THE IMF. IT HAS INVOLVED PRINCIPALLY MONETARY AND FISCAL POLICY REFORMS, INCLUDING EXCHANGE RATE, CAPITAL MARKET AND TAX MEASURES; ALSO, THE EXPANSION OF EXPORT-ORIENTED AGRICULTURAL AND INDUSTRIAL PRODUCTIONS, EMPHASIZING NON-TRADITIONAL PRODUCTS, IMPROVING THE BALANCE OF PAYMENTS SITUATION AND LIBERALIZING GOVERNMENTAL CONTROLS OVER THE ECONOMY. IT HAS ACHIEVED ALL THIS WHILE ABSORBING A HUGE INCREASE IN ENERGY COSTS AND UNDER ADVERSE WORLD ECONOMIC AND MARKET CONDITIONS. THE RATE OF INFLATION, OVER 100 PERCENT TWO YEARS AGO, WAS REDUCED TO 39 PERCENT LAST YEAR. A SOCIAL COST OF THIS PROGRESS HAS BEEN A REDUCTION IN REAL INCOME OF THE PEOPLE. SOME POLICY MAKERS AND TECHNICIANS CONSIDER CONFIDENTIAL

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PAGE 03 MONTEV 00341 01 OF 02 261906Z POSS DUPE

THIS NECESSARY BECAUSE URUGUAYANS GENERALLY HAVE BEEN OVER-CONSUMERS THERETOFORE.

3. SOCIAL ENVIRONMENT. URUGUAY IS A HIGHLY EGALITARIAN SOCIETY WITH A NEARLY CLASSLESS, RACIALLY HOMOGENIOUS POPULATION WHICH IS NEARLY 100 PERCENT LITERATE. THE STANDARD OF LIVING IS RELATIVELY HIGH, AND THERE IS NO POPULATION PRESSURE. IN FACT, ITS NEARLY ZERO-GROWTH POPULATION OF ABOUT 2.7 MILLION, PLUS A HIGH EMIGRATION RATE OF YOUTH SEEKING BETTER ECONOMIC OPPORTUNITY, IS VIEWED AS A MAJOR SOCIO-ECONOMIC PROBLEM. LONG RECOGNIZED AS THE LEADER IN SOCIAL WELFARE PROGRAMS OF ALL TYPES IN LATIN AMERICA AND, INDEED AMONG THE FOREMOST IN THE WORLD, URUGUAY HAS LOST NONE OF ITS LUSTER IN THIS REGARD. ITS PROGRAMS STILL EMPHASIZE PROTECTION OF THE RIGHTS OF WOMEN, CHILDREN AND OF THE AGED; IT HAS BROAD COVERAGE IN ITS MEDICAL, HOSPITAL AND PENSION PROGRAMS, AND EDUCATION IS UNIVERSAL; IT IS ALSO FREE TO ALL THROUGH THE UNIVERSITY. EVEN THOUGH, AS INDICATED IN THE PREVIOUS SECTION, THE PEOPLE HAVE BEEN CALLED UPON TO MAKE SUBSTANTIAL REAL INCOME SACRIFICES IN THE NATIONAL INTEREST, MOST RECENT GALLUP POLLS SHOW

THEY GENERALLY SUPPORT THE GOVERNMENT IN THE BELIEF THAT SACRIFICE IS NECESSARY AND THAT THINGS WILL IMPROVE.

4. QUALITY OF CURRENT RELATIONSHIP. OUR RELATIONSHIP WITH URUGUAY, BASED ON SHARED INSTITUTIONS, IDEALS AND AIMS, HAS TRADITIONALLY BEEN GENUINELY FRIENDLY AND MUTUALLY RESPECTFUL. HOWEVER, THERE HAS BEEN CLEAR AND SERIOUS DETERIORATION OVER THE PAST YEAR AND THE RATE OF DETERIORATION IS ACCELERATING. THE REASON FOR

THIS IS BASICALLY U.S. UNEASINESS OVER ITS RELATIONSHIP WITH A RIGHTIST, MILITARY-DOMINATED REGIME CONSIDERED TO HAVE VIOLATED FORMER DEMOCRATIC INSTITUTIONS. WHILE THIS ALONE WOULD NORMALLY PRODUCE AT LEAST SOME WARINESS BETWEEN US, THE SITUATION HAS BEEN EXACERBATED SHARPLY BY U.S. CONCERN FOR THE HUMAN RIGHTS

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PAGE 01 MONTEV 00341 02 OF 02 311621Z
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C O N F I D E N T I A L SECTION 2 OF 2 MONTEVIDEO 341

(C O R R E C T I O N P A R A 6 (SIC))

PROBLEM; ESPECIALLY AS THIS IS EXPRESSED BY THE KOCH AMENDMENT AND RELATED PUNITIVE ACTS AND ATTITUDES, REAL OR ONLY IMAGINED BY THE GOU. THE URUGUAYAN GOVERNMENT PERCEIVES THIS AS AN UNJUST, UNFAIR AND UNWORTHY ATTITUDE OF A FRIEND WHO IT THINKS SHOULD BE MORE UNDERSTANDING OF THE TRAUMA THROUGH WHICH THE COUNTRY IS PASSING AND, AS URUGUAY SEES IT, OF 13 .-4/8 5 ?)-.E FOR THAT TRAUMA. IT ALSO BELIEVES THAT IN ADOPTING THE KOCH AMENDMENT THE U.S. CONGRESS ACCEPTED AN EXAGGERATED AND DISTORTED PICTURE OF URUGUAY WHICH IT BELIEVEVDPAS INSPIRED BY URUGUAY'S

ENEMIES. ITS REACTION, IN CONSEQUENCE, HAS BEEN PROGRESSIVELY MORE DEFENSIVE AND PRIDEFUL, RATHER THAN COOPERATIVE.

5. MAJOR POLICY OBJECTIVE. AS THE UNITED STATES HAS NO VITAL STRATEGIC OR ECONOMIC INTERESTS IN URUGUAY, OUR CONCERN FOR IT IS RELATED PRINCIPALLY TO ITS VALUE AS A FRIENDLY, HEMISPHERIC NEIGHBOR AND AS A COLLABORATOR ON THE WORLD SCENE. IF WE CARE AT ALL ABOUT THIS COUNTRY AND THE VALUE OF OUR TRADITIONAL RELATIONS, THE BASIC FRIENDSHIP OF ITS PEOPLE, AND ITS ALIGNMENT, CONFIDENTIAL

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PAGE 02 MONTEV 00341 02 OF 02 311621Z

EVEN UNDER PRESENT CONDITIONS, STAUNCHLY ALONGSIDE THE U.S. ON MAJOR INTERNATIONAL ISSUES, OUR MAJOR POLICY OBJECTIVE MUST BE SOMEHOW TO REVERSE THE TREND OF THIS DETERIORATION AND TO RE-ESTABLISH RELATIONS ON A MORE UNDERSTANDING, CONSTRUCTIVE AND FRIENDLY BASIS.

6. PRINCIPAL PROBLEMS. (A) THE DOMINANT PROBLEM TODAY IS HUMAN RIGHTS AND ITS REAL (KOCH AMENDMENT, HARKINS, F-86'S, ETC.) OR IMAGINED (SHOE QUOTA, FISHERIES LOAN, ETC.) EFFECT ON OUR RELATIONS. WHAT THE U.S. MUST DO AT THIS TIMING IS TO TRY TO REACH AN AGREED PERCEPTION OF WHAT REALLY IS THE MEASURE AND SCOPE OF THE HUMAN RIGHTS PROBLEM HERE, AND THEN TO REACH AN AGREED (WITHIN THE USG) CONSENSUS OF WHAT IS THE BEST WAY TO DEAL WITH IT. AS THE DEPARTMENT WELL KNOWN, THIS EMBASSY DOES NOT BELIEVE (WHILE ACCEPTING THAT THERE IS A HUMAN RIGHTS PROBLEM) THAT THE PERCEPTION OF IT AS CONVEYED TO CONGRESS BY URUGUAY'S CRITICS IS ACCURATE OR TRUE. IT ALSO MOST EMPHATICALLY DOES NOT BELIEVE THAT PUNITIVE ACTS (KOCH, HARKINS, ETC.) AND NEGATIVE POLICY ATTITUDES (PISTOL AND F-86 CASES) REPRESENT THE BEST WAY TO DEAL WITH THE PROBLEM. IN FACT, WE BELIEVE THEY HAVE THE OPPOSITE EFFECT AND THEREFORE, IN SPITE OF OUR GOOD INTENTIONS, ARE SELF-DEFEATING AND REDUCE OUR ABILITY TO HAVE A REAL, CONSTRUCTIVE AND POSITIVE INFLUENCE FOR IMPROVING THE HUMAN RIGHTS SITUATION. (B) OTHER PROBLEMS. ALL OF THESE MAY WELL HAVE CONGRESSIONAL INTEREST AND GOVERNMENT EITHER KNOWS OF OR MISREPRESENTS (SOMETIMES WRONGLY) SOME DEGREE OF USG HUMAN RIGHTS MOTIVATION IN OUR TREATMENT OF THEM. (A) TERMINATION OF MAP GRANTS AND MILGRP WITHDRAWAL; (2) KOCH AMENDMENT; (3) HARKIN AMENDMENT, IF APPLIED; (4) LIMITATIONS ON USE OF PRIOR YEARS FMS CREDIT; (5) USG OPPOSITION TO USE OF FSO FUNDS FOR IDB FISHERIES LOAN; (6) POLICY-INSPIRED DELAY ON POLICE PISTOL EXPORT LICENSE; (7) BLOCKED ASSIGNMENT OF MILITARY OFFICERS; (8) A HIGHLY ADVERSE TO URUGUAY TRADE COMMISSION RECOMMENDATION ON SHOES; (9) POLICY-INSPIRED BLOCK ON F-86 TRANSFER.

7 CONCLUSIONS AND RECOMMENDATION. BEFORE THE NEW ADMINISTRATION CONFIDENTIAL

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PAGE 03 MONTEV 00341 02 OF 02 311621Z

IS SWEEPED ALONG BY AN ALREADY ESTABLISHED MOMENTUM, WHICH
CAN ONLY LEAD TRAGICALLY TO AN ERA OF BAD RELATIONS AND
TO A REDUCTION OF ITS ABILITY TO INFLUENCE THE MAJOR PROBLEM WE HAVE
WITH URUGUAY. I STRONGLY RECOMMEND A THOROUGH AND PENETRATING REVIEW
OF OUR RELATIONS. THIS MUST INCLUDE COMING TO GRIPS WITH A
DECISION AS TO WHAT REALLY IS THE HUMAN RIGHTS PROBLEM HERE AND, MOST
IMPORTANTLY WHAT IS THE BEST WAY EFFECTIVELY TO DEAL WITH IT. I
ALSO BELIEVE WE URGENTLY NEED TO PAUSE AND REFLECT ON HOW OUR
DECISION RE URUGUAY MAY SET A PRECEDENT FOR BETTER OR WORSE
VITAL NATIONAL, ECONOMIC, STRATEGIC AND SECURITY INTERESTS AT STAKE.
CONSIDERATIONS DISCUSSED IN GEORGETOWN PROFESSOR LEFEVER'S ARTICLE
PUBLISHED IN THE NEW YORK TIMES ON JANUARY 24 MIGHT BE TAKEN
INTO ACCOUNT AS WELL.
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SAS ID: 3497078
Secure: OPEN
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Subject: OVERVIEW, URUGUAY
TAGS: PFOR, UY
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